

ORIGINAL

173815

ELLIOTT & ELLIOTT, P.A.
ATTORNEYS AT LAW
721 OLIVE STREET
COLUMBIA, SOUTH CAROLINA 29205
ccook@elliottlaw.us

CHARLES H. COOK
OF COUNSEL

TELEPHONE (803) 771-0555
FACSIMILE (803) 771-8010

May 2, 2005

VIA HAND DELIVERY

Charles L. A. Terreni, Esquire
Chief Clerk and Administrator
South Carolina Public Service Commission
101 Executive Center Drive
Columbia, SC 29210

RE: Application of Carolina Water Service, Inc. for an Adjustment of Rates and Charges and
Modification of Certain Terms and Conditions for the Provision of Water and Sewer
Service
Docket No.: 2004-357-W/S

Dear Mr. Terreni:

Enclosed are the original and twenty-five copies (25) copies of the **Surrebuttal Testimony of Keith G. Parnell** filed on behalf of Midlands Utility, Inc. in the above referenced docket. By copy of this letter, I am serving all parties of record. I have enclosed an extra copy of this testimony which I would ask you to date stamp and return to me by my courier.

If you have questions or need additional information, please do not hesitate to contact me.

Very truly yours,

ELLIOTT & ELLIOTT, PA



Charles H. Cook

CHC/jhp

Enclosures

c: All parties of record (w/enc.)

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

DOCKET NO. 2004-357-W/S

RECORDED
2005 MAY -2 PM 4:04
COMMUNICATIONS SECTION

IN THE MATTER OF:

Application of Carolina Water Service, Inc.
for an Adjustment of Rates and Charges
and Modification of Certain Terms and
Conditions for the Provision of Water
and Sewer Service

**SURREBUTTAL TESTIMONY
OF KEITH G. PARNELL**

1 **Q. Please state your name, occupation and business address.**

2 A. Keith G. Parnell. I am President and Chief Operating Officer of Midlands
3 Utility, Inc, located at 816 East Main Street, Lexington, South Carolina 29072.

4 **Q. What is the purpose of your surrebuttal testimony?**

5 A. The purpose of my surrebuttal testimony is to address issues raised in the rebuttal
6 testimony of Carolina Water Service witness Steven Lubertoizzi.

7 **Q. In particular, what issue do you take with the rebuttal testimony of Mr.**
8 **Lubertoizzi?**

9 A. Mr. Lubertoizzi's rebuttal testimony fails to adequately describe not only the
10 circumstances leading up to the agreement between Midlands and Carolina Water
11 Service, but also the agreement itself. Midlands now provides collection-only service to
12 its 416 customers living in the Vanarsdale subdivision. By agreement with Carolina
13 Water Service, Midlands collects the sewage from its Vanarsdale customers and
14 transports it to the Carolina Water Service system which treats the sewage. This

1 agreement was approved by the South Carolina Public Service Commission on
2 September 12, 1995. (See Exhibit A, complete docket file number 95-1151-S, attached)

3 **Q. Please describe the circumstance leading up to the agreement between**
4 **Midlands and Carolina Water Service which was approved by this Commission.**

5 A. Midlands and Carolina Water Service negotiated a contract evidenced by letters
6 constituting the offer and acceptance signed by the parties in 1995. Subject to the
7 approval of this Commission, we negotiated a treatment-only rate of \$11.00 per month.
8 In addition, Midlands agreed to pay Carolina Water Service \$83,000 with interest for
9 treatment capacity in the Carolina Water Service I-20 system. Midlands has paid
10 Carolina Water Service over \$90,000 in capacity fees. This Commission approved the
11 treatment-only rate of \$11.00 per month in addition to the remaining terms of the parties'
12 contract.

13 **Q. In what other respects does Mr. Lubertozi misunderstand the contract**
14 **between Midlands and Carolina Water Service?**

15 A. Only with considerable difficulty does Mr. Lubertozi reluctantly suggest that
16 Midlands' customers should now pay the proposed rate to be charged by Carolina Water
17 Service for mobile homes. I can understand the difficulty Mr. Lubertozi had in reaching
18 this conclusion. Only after Midlands' intervention did Carolina Water Service scramble
19 to identify and articulate a tariffed rate it could propose to apply to Midlands. Midlands
20 has not been asked by Carolina Water Service nor has agreed to change the rate charged
21 by Carolina Water Service under the parties' contract. Indeed, Carolina Water Service
22 hasn't attempted to establish a tariff rate for treatment-only service. Nor by its
23 appearance in these proceedings can Midlands be deemed to have accepted an increase in

1 the contract rate for treatment-only service. If Midlands were to agree to a new contract
2 rate, it would employ the same logic described in my direct testimony that the parties
3 employed in negotiating their contract in 1995. Until such time as Midlands and Carolina
4 Water Service agree to a different contract rate and this Commission approves that rate,
5 the contract rate of \$11.00 per month approved by this Commission in 1995 remains
6 inviolate.

7 **Q. Do you agree with Mr. Lubertozi's suggestion that Midlands remains**
8 **unaffected by the application of Carolina Water Service in this proceeding? If not,**
9 **please explain.**

10 A. The rate increase sought by Carolina Water Service will have an adverse impact on
11 our customers. Our business plan calls for Midlands to begin charging our customers the
12 collection-only rates approved by this Commission and pass the treatment-only rate of
13 \$11.00 charged by Carolina Water Service to our customers. We appear in this
14 proceeding on their behalf to urge this Commission to uphold the contract rate of \$11.00
15 it approved in 1995. At Midlands, we work very hard to provide customer service at
16 affordable rates. We feel like we have a history of good customer service that has served
17 us well. As I have observed from this proceeding, it would be very difficult for our
18 individual customers to appear and defend the contract between Midlands and Carolina
19 Water Service. We stand here on our customers' behalf to ask this Commission to refuse
20 the request by Carolina Water Service to charge Midlands' customers the mobile home
21 rate.

22 **Q. Mr. Lubertozi raises a number of other issues with respect to your direct**
23 **testimony. How would you respond?**

1 A. Much of the balance of Mr. Lubertozi's rebuttal testimony is particularly
2 condescending and strident and does not address the issue of the parties' contract. I am
3 forced to conclude that the witness' testimony is aimed to distract us from the heart of
4 these proceedings. Mr. Lubertozi seeks to present his testimony as being without doubt.
5 He is nevertheless in error. Frankly, his testimony is simply "all hat and no cattle".

6 **Q. Does this conclude your testimony?**

7 A. Yes .

ORIGINAL

EXHIBIT A

Surrebuttal Testimony of Keith G. Parnell

Docket No. 2004-357-W/S

Charles Cook

From: "Bachman, Frances" <Frances.Bachman@psc.sc.gov>
To: "Charles Cook" <ccook@elliottlaw.us>
Sent: Monday, April 18, 2005 3:52 PM
Attach: _0418154631_001.pdf

We scanned everything in the docket and is attached. If you have any problems with anything, please let me know.

Frances

Frances Bachman
Administrative Assistant
Docketing Department
(803) 896-5193
frances.bachman@psc.sc.gov

From: Duke, Daphne
Sent: Monday, April 18, 2005 3:49 PM
To: Bachman, Frances
Subject:

04/28/2005

September 20, 1995

Frank R. Ellerbe, III, Esquire
Robinson, McFadden & Moore, PC
Post Office Box 944
Columbia, SC 29202

IN RE: DOCKET NO. 95-1151-S

Dear Mr. Ellerbe:

This is to advise you that on September 12, 1995, the Commission voted to approve the Petition of Midlands Utility, Inc. for approval of the contract with Carolina Water Service, Inc. for the treatment of wastewater from the Vanarsdale Subdivision.

Please be advised that the Commission will consider any rate impact on the Midlands' customers at the time such a request is made.

If we can be of any further help in this matter, please do not hesitate to contact this office.

Sincerely,

Charles A. Creech
Utilities Department

CAC:pao

c: Richard Whitt, Esquire
Keith Parnell, P.E.

COMMISSION DIRECTIVE

ADMINISTRATIVE DEPT. _____

DATE SEPTEMBER 12, 1995

TRANSPORTATION DEPT. _____

DOCKET NO. 95-1151-SUTILITIES DEPT. XX

ORDER NO. _____

SUBJECT:

DOCKET NO. 95-1151-S - Application of Midlands Utility, Inc. requesting Commission approval of a Contract between Carolina Water Service, Inc. and Midlands Utility, Inc. for treatment of wastewater in Midlands' Vanarsdale Plant.

COMMISSION ACTION:

I INSTRUCT STAFF TO WRITE LETTER APPROVING THE AGREEMENT AS FILED BETWEEN MIDLANDS & CWS, INC. I INCLUDE LANGUAGE INDICATING THAT THE COMMISSION WILL CONSIDER ANY RATE IMPACT ON MIDLANDS RATE PAYORS AT THE TIME SUCH A REQUEST IS MADE.

PRESIDING MITCHELLARTHUR ✓BOWERS ABRADLEY ✓BUTLER ✓MITCHELL ✓SAUNDERS ASCOTT MREGULAR SESSION ✓

SPECIAL SESSION _____

TIME OF SESSION 11:55

APPROVED _____

APPROVED STC 30 DAYS _____

ACCEPTED FOR FILING _____

DENIED _____

AMENDED _____

TRANSFERRED _____

SUSPENDED _____

CANCELED _____

SET FOR HEARING _____

ADVISED _____

CARRIED OVER _____


RECORDED BY CCC

*Mini typed
9-22-95
18*


September 5, 1995

IN RE: DOCKET NO. 95-1151-S - Application of Midlands Utility, Inc. requesting
Commission approval of a Contract between
Carolina Water Service, Inc. and Midlands
Utility, Inc. for treatment of wastewater
in Midlands' Vanarsdale Plant.


COPY OF A PETITION FILED BY FRANK R ELLERBE, III, ESQUIRE, ON BEHALF OF MIDLANDS
UTILITY, INC. HAS BEEN DISTRIBUTED TO:



TL, Creech



Legal



Deputy Exec. Director

pao

September 5, 1995

Frank R. Ellerbe, III, Esquire
Robinson, McFadden & Moore, PC
P O Box 944
Columbia, South Carolina 29202

IN RE: DOCKET NO. 95-1151-S - MIDLANDS UTILITY, INC. - PETITION FOR
APPROVAL OF CONTRACT WITH CAROLINA WATER SERVICE

Dear Mr. Ellerbe:

This office has received your Application which has been assigned the above referenced Docket Number. This Docket will be processed as soon as possible.

Please be advised that the Commission's Rules and Regulations and existing South Carolina law require participation by an attorney admitted to practice in South Carolina for the representation of the interests of any person or group of persons other than an individual's interest, if a party of record desires full cross-examination rights. If the application is filed by a corporation, and a corporate officer or official simply wishes to present himself/herself as a witness, without right of cross-examination of other parties, a South Carolina attorney is not required. However, if an attorney from outside South Carolina wishes to represent a party before the Commission, then he or she must be accompanied by an attorney admitted to practice in South Carolina. Your attention is directed to R. 103-804 (S) of the Rules of Practice and Procedure of the Commission regarding representation.

If you have any questions relative to this Docket, please call the Commission at (803) 737-5125.

Very truly yours,

CHARLES W. BALLENTINE
Executive Director

CWB:ng

CAC, L & DEW

ROBINSON, McFADDEN & MOORE, P.C.

DAVID W. ROBINSON, II
D. REECE WILLIAMS, III
JOHN S. TAYLOR, JR.
JAMES M. BRAILSFORD, III
DANIEL T. BRAILSFORD
FRANK R. ELLERBE, III
THOMAS W. BUNCH, II
J. KERSHAW SPONG
D. CLAY ROBINSON
JACQUELYN L. BARTLEY*
E. MEREDITH MANNING
R. WILLIAM METZGER, JR.
KEVIN K. BELL
ANNEMARIE B. MATHEWS**
DURHAM T. BONEY
*CERTIFIED SPECIALIST IN TAXATION
**ALSO ADMITTED IN NORTH CAROLINA

FIFTEEN HUNDRED NATIONSBANK PLAZA
1901 MAIN STREET
POST OFFICE BOX 944
COLUMBIA, SOUTH CAROLINA 29202

(803) 779-8900

TELECOPIER

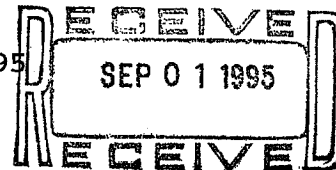
(803) 252-0724

September 1, 1995

DAVID W. ROBINSON
(1869-1935)
DAVID W. ROBINSON
(1899-1989)
J. MEANS McFADDEN
(1901-1990)

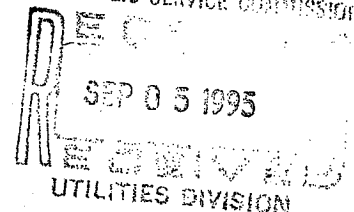
Thomas T. Moore
Of Counsel

S. C. PUBLIC SERVICE COMMISSION



HAND DELIVERED

Mr. Charles W. Ballentine
Executive Director
South Carolina Public Service Commission
111 Doctors Circle
Columbia, South Carolina 29203



RE: Midlands Utility, Inc.
Our File No. 13216.0001

Dear Mr. Ballentine:

Enclosed for filing please find the Petition of Midlands Utility, Inc. for Approval of Contract with Carolina Water Service. An original and six copies are included for filing. Please date-stamp the extra copy of the Petition as proof of filing and return it with our courier.

By copy of this letter we are sending a copy of the Petition to counsel for Carolina Water Service.

If you have any questions, please have someone on your staff contact me.

Yours truly,

ROBINSON, McFADDEN & MOORE, P.C.

Frank R. Ellerbe, III
Frank R. Ellerbe, III

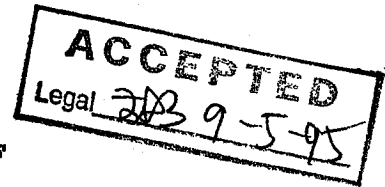
FRE/tch
Enclosures
cc: Mr. Gary E. Walsh
Richard L. Whitt, Esquire
Mr. Keith Parnell

Please assign to [initials]

75-1151-5

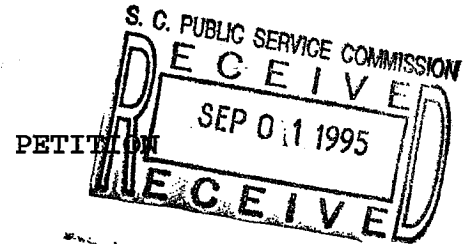


BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA



In Re:

Petition of Midlands Utility, Inc.)
for Approval of Contract with)
Carolina Water Service)



Pursuant to Rule 103-836 to this Commission's Rules of Practice and Procedure, Midlands Utility, Inc. hereby petitions the Commission for an order approving a contract between it and Carolina Water Service by which Carolina Water Service will treat waste water from the Vanarsdale subdivision served by Midlands. In support of its petition Midlands would show the following:

1. In 1993 the South Carolina Department of Health and Environmental Control initiated proceedings to require Midlands to eliminate or upgrade the treatment facility for the Vanarsdale subdivision served by Midlands. Upgrading the facility was prohibitively expensive and Midlands thus agreed to close down the facility and make arrangements to contract for the treatment of waste generated in the Vanarsdale subdivision.

2. By letter dated August 17, 1993, Utilities, Inc. on behalf of Carolina Water Service made a proposal to Midlands to provide bulk treatment service at a monthly rate of \$11.00 per customer in addition to an impact fee of \$83,000.00. This proposal is attached as Exhibit A. By letter dated September 17, 1993 Midlands Utility accepted this proposal. See Exhibit B.

3. Subsequently, Carolina Water Service agreed to finance \$63,000.00 of the impact fee payable over 36 months at 8% interest

and secured by an agreement which permits Carolina Water Service to purchase the Vanarsdale system on specific terms in the event of default by Midlands. The agreement is evidenced by an exchange of correspondence between counsel for the parties. Exhibit C.

4. South Carolina Department of Health and Environmental Control has issued a construction permit to Midlands covering this project by which Midlands will interconnect with the Carolina Water Service I-20 treatment plant. See Exhibit D. DHEC has also approved a modification to the Carolina Water Service permit for that facility to enable Carolina Water Service to treat the additional flow.

5. The contract entered between Midlands and Carolina Water Service is prudent, reasonable and necessary for Midlands to provide adequate sewer service to its customers in the Vanarsdale subdivision.

For the foregoing reasons Midlands submits that the contract between it and Carolina Water Service should be approved by this Commission and requests the Commission issue an order approving the contract.

Respectfully submitted,



Frank R. Ellerbe, III
Robinson, McFadden & Moore, P.C.
Post Office Box 944
Columbia, South Carolina 29202
(803) 779-8900

Attorneys for Midlands Utility, Inc.

Columbia, South Carolina
September 7, 1995.

UTILITIES, INC.

2335 Sanders Road
Northbrook, Illinois 60062-6196
708/498-6440
FAX 708/498-2066

August 17, 1993

Mr. Keith Parnell
Midlands Utilities, Inc.
816 East Main Street
Lexington, SC 29071

Dear Mr. Parnell:

Mr. Keith Murphy from our regional office in Columbia recently informed me that you are currently evaluating alternatives to eliminate the discharge of your Vanarsdale wastewater treatment facility as mandated by the Central Midlands Planning Commission and the South Carolina DHEC.

We are willing to make the following two proposals for your consideration:

- We would be willing to purchase the Vanarsdale wastewater treatment facility for \$6,000, free and clear of all liabilities and encumbrances. Given that many expenditures would be necessary to bring the system into compliance with our Company standards, we feel that this sum is fair and reasonable.

OR


- We would be willing to provide bulk treatment service at a monthly rate of \$11.00 per customer, or such other rate as approved by the South Carolina PSC. In addition, we would require an impact fee of \$83,000, or \$200 per single family equivalent. Midlands Utilities would also be responsible for the cost of interconnecting and the purchase of a flow meter.

Both of these proposals are contingent upon our receiving verification that DHEC would add the permitted capacity from the Vanarsdale system to the current permitted capacity of 800,000 gpd at CWS's I-20 regional treatment facility. We understand that the current permitted capacity at Vanarsdale is approximately 150,000 gpd.

We agree to honor these proposals for a period of 30 days.

Please let me know if either of the two proposals are acceptable to your company. I look forward to your response.

Sincerely,



Stephen Kennedy
Director, Corporate Operations

cc: Ron Vinson, Central Midlands Regional Planning Commission
J. Robin Foy, DHEC
Keith Murphy, Carolina Water Service, Inc.



MIDLANDS UTILITY, INC.

816 EAST MAIN STREET • P.O. BOX 887
LEXINGTON, SOUTH CAROLINA 29071
TELEPHONE: 359-4803

TRANSMITTED BY FACSIMILE

September 17, 1993

Mr. Stephen Kennedy
Utilities, Inc.
2335 Sanders Rd.
Northbrook, Illinois 600062-6196

Fax (708) 498-2066

Re: Connection of Vanarsdale
Wastewater Treatment Facility
To Carolina Water
I-20 Facility

Dear Mr. Kennedy:

This letter is to confirm the acceptance of your bulk treatment proposal dated August 17, 1993 for the above referenced project. The proposal stated in your letter consist of the following:

"We would be willing to provide bulk treatment service at a monthly rate of \$11.00 per customer, or such other rate approved by the South Carolina Public Service Commission. In addition, we would require an impact fee of \$83,000.00 or \$200 per single family equivalent. Midlands Utilities would also be responsible for the cost of the interconnecting and the purchase of a flow meter."

This letter is being faxed to your office this date to comply with the 30 day limit on the proposal.

Thank you for your interest in this project. We look forward in working with you and Keith Murphy in Columbia. Should you have any questions or if any additional information is required, feel free to contact me.

Sincerely,

MIDLANDS UTILITY, INC.

Keith G. Parnell, P.E.

KGP/gro

cc: file
Keith Murphy ✓
Robin Foy
Charles Creech

RECEIVED

SEP 23 1993

Carolina Water Service, Inc.

ROBINSON, MCFADDEN & MOORE, P.C.

DAVID W. ROBINSON, II
D. REECE WILLIAMS, III
JOHN S. TAYLOR, JR.
JAMES M. BRAILSFORD, III
DANIEL T. BRAILSFORD
FRANK R. ELLERBE, III
THOMAS W. BUNCH, II
J. KERSHAW SPONG
D. CLAY ROBINSON
JACQUELYN L. BARTLEY*
E. MEREDITH MANNING
R. WILLIAM METZGER, JR.
KEVIN K. BELL
ANNEMARIE B. MATHEWS**
DURHAM T. BONEY
*CERTIFIED SPECIALIST IN TAXATION
**ALSO ADMITTED IN NORTH CAROLINA

FIFTEEN HUNDRED NATIONSBANK PLAZA
1901 MAIN STREET
POST OFFICE BOX 944
COLUMBIA, SOUTH CAROLINA 29202

(803) 779-8900

TELECOPIER

(803) 252-0724

May 1, 1995

DAVID W. ROBINSON
(1869-1935)
DAVID W. ROBINSON
(1899-1989)
J. MEANS MCFADDEN
(1901-1990)

Thomas T. Moore
Of Counsel

Richard L. Whitt, Esquire
Post Office Box 12396
Columbia, South Carolina 29211

VIA TELECOPY AND U.S. MAIL

Re: Midlands Utility
Vanarsdale Wastewater Treatment Facility
Our File No. 13216.0001

Dear Richard:

As you have explained to me, your client, Carolina Water Service, and my client, Midlands Utility, have agreed to an arrangement whereby Carolina Water Service will treat waste collected by Midlands in the Vanarsdale subdivision. As part of that agreement Midlands has agreed to pay an impact fee of \$83,000.00

We have discussed Midlands' financial situation which makes it impossible for Midlands to make the impact fee payment in one lump sum. Because of this situation, we propose that Midlands pay \$20,000.00 at the time of interconnection with the remainder payable over 36 months at 8% interest. We believe this arrangement would be fair to your client while being a manageable burden for Midlands. I have enclosed a payment schedule which illustrates our proposal.

We appreciate your client's willingness to consider this proposal. If it is acceptable it will permit Midlands to move forward promptly on the interconnection which will result in the closing of Midlands' Vanarsdale treatment plant.

Yours truly,

ROBINSON, MCFADDEN & MOORE, P.C.


Frank R. Ellerbe, III

FRE/tch

cc: Mr. James Robin Foy
Mr. Gary Walsh
Mr. Keith G. Parnell

LAW OFFICES
WILLIAM FREDERICK AUSTIN
1022 CALHOUN STREET
POST OFFICE BOX 12396
COLUMBIA, SOUTH CAROLINA 29211

WILLIAM FREDERICK AUSTIN
RICHARD LEE WHITT

May 22, 1995

TELEPHONE
(803) 799-9435 OR (803) 799-9863
FACSIMILE (803) 252-0427

Frank R. Ellerbe, III, Esquire
Robinson MacFadden & Moore
1901 Main Street, Suite 1500
Columbia, South Carolina 29201

Re: Connection of Vanarsdale Wastewater Treatment Facility to Carolina Water
Service, Inc.'s I-20 Facility

Dear Frank:

This letter confirms our telephone conversation of last week, relevant to the above referenced. Namely:

1. I informed you that my client was seeking further assurances on the payment plan proposed by your client; and
2. I requested that you investigate what approval we would need from the Bankruptcy Court as to the payment proposal.

Please advise. With kind personal regards, I am

Very truly yours,



Richard L. Whitt

RLW/mls

ROBINSON, McFADDEN & MOORE, P.C.

DAVID W. ROBINSON, II
D. REECE WILLIAMS, III
JOHN S. TAYLOR, JR.
JAMES M. BRAILSFORD, III
DANIEL T. BRAILSFORD
FRANK R. ELLERBE, III
THOMAS W. BUNCH, II
J. KERSEAW SPONG
D. CLAY ROBINSON
JACQUELYN L. BARTLEY*
E. MEREDITH MANNING
R. WILLIAM METZGER, JR.
KEVIN K. BELL
ANNEMARIE B. MATHEWS**
DURHAM T. BONEY

*CERTIFIED SPECIALIST IN TAXATION
**ALSO ADMITTED IN NORTH CAROLINA

FIFTEEN HUNDRED NATIONSBANK PLAZA
1901 MAIN STREET
POST OFFICE BOX 944
COLUMBIA, SOUTH CAROLINA 29202
(803) 779-8900
TELECOPIER
(803) 252-0724

DAVID W. ROBINSON
(1869-1935)
DAVID W. ROBINSON
(1899-1969)
J. MEANS McFADDEN
(1901-1990)
THOMAS T. MOORE
OF COUNSEL

May 26, 1995

Richard L. Whitt, Esquire
Post Office Box 12396
Columbia, South Carolina 29211

Re: Agreement between Midlands Utility and Carolina Water
Service for Vanarsdale subdivision
Our File No. 13216.0001

Dear Richard:

You have indicated that your client is agreeable to the terms outlined in my letter to you of May 1 if we can provide sufficient security for the note which Midlands will execute. You have also inquired about the necessity of bankruptcy court approval of the transaction. This letter will address these two issues.

We propose that the agreement provide that in the event of default by Midlands under the note, not cured in a commercially reasonable time, Midlands will sell the Vanarsdale system to Carolina Water Service on terms favorable to Carolina Water Service. We propose that the price be set at \$90,000.00 less the balance remaining on the note at the time of default.

We arrived at the figure of \$90,000.00 by adding the \$20,000.00 down payment plus estimated interconnection costs of \$30,000.00 and a steeply discounted per customer rate of \$100.00. We understand that recent prices for arms-length sales of sewer systems are running in excess of \$1,000.00 per customer. Accordingly, we believe our proposal is very fair to Carolina Water Service and provides ample security for the \$63,000.00 note.

We are of the opinion that no approval is required from the bankruptcy court. Under 11 U.S.C. § 1141(b), property of the bankrupt estate vests in the debtor upon confirmation of the plan of reorganization. Midlands' plan was confirmed on January 30, 1995. The plan does not provide for court approval of post confirmation acts of the debtor.


Richard L. Whitt, Esquire
Page 2
May 26, 1995

I have discussed this transaction with staff at the Public Service Commission, and have concluded that we should ask the Commission for approval of the agreement. I would appreciate your thoughts on that question.

Please call to discuss any questions you may have. I appreciate the way you have approached these issues and look forward to working with you towards execution of an agreement.

Yours truly,

ROBINSON, MCFADDEN & MOORE, P.C.


Frank R. Ellerbe, III

FRE/dac

cc: Mr. James Robin Foy
Mr. Keith G. Parnell

LAW OFFICES
WILLIAM FREDERICK AUSTIN
1022 CAIHOUN STREET
POST OFFICE BOX 12396
COLUMBIA, SOUTH CAROLINA 29211

WILLIAM FREDERICK AUSTIN
RICHARD LEE WHITT

July 7, 1995

TELEPHONE
(803) 799-9435 OR (803) 799-9863
FACSIMILE (803) 252-0427

Frank R. Ellerbe, III, Esquire
Robinson, McFadden & Moore, PC
Post Office Box 944
Columbia, South Carolina 29202

Re: Agreement Between Midlands Utility and Carolina Water Service for Vanarsdale
Subdivision (Your File No. 13216.0001)

Dear Frank:

I am in receipt of my client's response to your letter of May 26, 1995, relevant to the above referenced matter, wherein you proposed that a "default" sales price of \$90,000.00 be set for the Vanarsdale System.

My client proposes a \$45,000.00 default sales price. As you know, my client previously proposed that the system be transferred at zero cost if a default occurred; and this figure represents a conservative but adequate payment for the system.


Therefore, this counter proposal of \$45,000.00 represents my client meeting you half-way between CWS' and your offer. Obviously this \$45,000.00 payment would be minus the balance owing on the Note at the time of any default.

My client does not believe that this should be a major item of discussion because this figure will only come into play if your client defaults. Therefore, your client is the master of his own destiny in this matter and may simply pay these monies and avoid this problem.

Finally, we believe that DHEC must be informed of this matter and agree with your analysis that the South Carolina Public Service Commission must approve the agreement. We are hopeful that this could be done in a somewhat informal manner to expedite this matter.

We appreciate your hard work in this matter and look forward to your response. I will be on vacation next week but Bill Austin is willing to discuss this matter with you at your convenience. With kind personal regards, I am

Very truly yours,



Richard L. Whitt

RLW/mls

LAW OFFICES
WILLIAM FREDERICK AUSTIN
1022 CALHOUN STREET
POST OFFICE BOX 12396
COLUMBIA, SOUTH CAROLINA 29211

WILLIAM FREDERICK AUSTIN
RICHARD LEE WHITT

July 12, 1995

TELEPHONE
(803) 799-9435 OR (803) 799-9863
FACSIMILE (803) 252-0427

Frank R. Ellerbe, III, Esquire
Robinson, McFadden & Moore, PC
Post Office Box 944
Columbia, South Carolina 29202


Re: Midlands Utility/Carolina Water Service, Inc. (Vanarsdale Subdivision)

Dear Frank:

This will confirm our telephone conversation on this date at which time you advised that your client was accepting the terms outlined in our July 7, 1995 letter to you. As agreed, we will begin the process of preparing the necessary documents to ask the Public Service Commission to approve this transaction and will submit the same to you for your approval prior to filing with the Commission.

With kind personal regards, I am

Very truly yours,


William Frederick Austin

WFA:mls

ROBINSON, MCFADDEN & MOORE, P.C.

DAVID W. ROBINSON, II
D. REECE WILLIAMS, III
JOHN S. TAYLOR, JR.
JAMES M. BRAILSFORD, III
DANIEL T. BRAILSFORD
FRANK R. ELLERBE, III
THOMAS W. BUNCE, II
J. KERSEAW SPONG
D. CLAY ROBINSON
JACQUELYN L. BARTLEY*
E. MEREDITH MANNING
R. WILLIAM METZGER, JR.
KEVIN K. BELL
ANNEMARIE B. MATHEWS**
DURHAM T. BONEY
*CERTIFIED SPECIALIST IN TAXATION
**ALSO ADMITTED IN NORTH CAROLINA

FIFTEEN HUNDRED NATIONSBANK PLAZA
1901 MAIN STREET
POST OFFICE BOX 944
COLUMBIA, SOUTH CAROLINA 29202

(803) 779-8900

TELECOPIER

(803) 252-0724

August 4, 1995

DAVID W. ROBINSON
(1869-1935)
DAVID W. ROBINSON
(1899-1989)
J. MEANS MCFADDEN
(1901-1990)

Thomas T. Moore
Of Counsel

Richard L. Whitt, Esquire
Post Office Box 12396
Columbia, South Carolina 29211

VIA TELECOPY AND U.S. MAIL

Re: Midlands Utility - Contract with Carolina Water Service
Vanarsdale Subdivision
Our File No. 13216.0001

Dear Richard:

This letter will confirm my discussion with Bill Austin in which I agreed to the terms in your letter of July 7. It is my understanding that your client is to draft the contract. As we need to move forward on finalizing this deal, it occurs to me that our letters contain the essential terms of the contract and we could consider simply to agree to the terms in the letters.

Let me know how you wish to proceed.

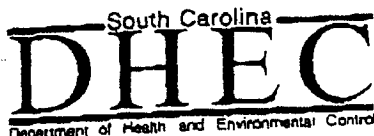
Yours truly,

ROBINSON, MCFADDEN & MOORE, P.C.


Frank R. Ellerbe, III

FRE/tch

cc: Mr. James Robin Foy
Mr. Keith G. Parnell



2600 Bull Street
Columbia, SC 29201

Bureau of Water Pollution Control Permit To Construct

Permission is hereby granted to: Midlands Utility, Inc.
P.O. Box 887
816 E. Main Street
Lexington, SC 29072

for the construction of a sanitary sewer system in accordance with the construction plans, specifications, engineering report and the Construction Permit Application signed by Keith G. Parnell, Registered Professional Engineer, S.C. Registration Number: 11133.

Project Name: ELIMINATION OF VANARSDALE WWTP

County: Lexington

Project Description: Install approximately 1300 LF of 8" diameter gravity sewer and eight (8) manholes to eliminate the Vanarsdale WWTP to the I-20 Regional System.

The wastewater will be discharged to the I-20 REGIONAL SWR CAROLINA WTR treatment facility at a daily rate not to exceed 129765 gallons per day.

The effluent concentrations of those constituents the wastewater treatment system is designed to remove or reduce are contained in NPDES Permit SC0035564.

Special Conditions:

1. The Vanarsdale WWTP must be closed out in accordance with Regulation 61-82. This close-out should be coordinated with the local EQC District Office.

Permit Number: 19,712-DW

Date of Issue: December 06, 1994

Expiration Dates: Unless construction begins prior to December 05, 1996 and construction is completed prior to December 05, 1997 this permit will expire.

In accepting this permit, the owner agrees to the admission of properly authorized persons at all reasonable hours for the purpose of sampling and inspection.

THIS IS A PERMIT FOR CONSTRUCTION ONLY AND DOES NOT CONSTITUTE STATE DEPARTMENT OF HEALTH AND ENVIRONMENTAL CONTROL APPROVAL, TEMPORARY OR OTHERWISE, TO PLACE THE SYSTEM IN OPERATION.

Jeffrey P. deBessonnet, P.E., Director
Domestic Wastewater Division

J.A. (12-7-94)

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

DOCKET NO. 2004-357-W/S

IN RE:)
)
Application of Carolina Water Service,)
Inc., for adjustment of rates and charges)
and modification of certain terms and)
conditions for the provision of water and)
sewer service.)
_____)

CERTIFICATE OF SERVICE

RECORDED
2005 MAY -2 PM 4:44
SC PUBLIC SERVICE
COMMISSION

This is to certify that I have caused to be served this day one (1) copy of each of
Surrebuttal Testimony and supporting exhibit of Keith G. Parnell by HAND-DELIVERY
addressed as follows:

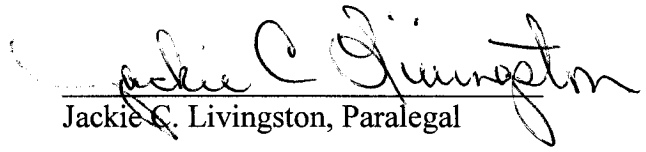
PARTIES SERVED: John M. S. Hoefer, Esquire
Willoughby & Hoefer, PA
1022 Calhoun Street, Suite 302
Columbia, SC 29201

C. Lessie Hammonds, Esquire
Office of Regulatory Staff
1441 Main Street, 3rd Floor
Columbia, SC 29201

Florence P. Belser, Esquire
Office of Regulatory Staff
1441 Main Street, 3rd Floor
Columbia, SC 29201

Jessica J. O. King, Esquire
DHEC
Chief Counsel for EQC
2600 Bull Street
Columbia, SC 29201

Carlisle Roberts, Jr., Esquire
DHEC
Office of General Counsel
2600 Bull Street
Columbia, SC 29201


Jackie C. Livingston, Paralegal

Columbia, South Carolina

This 2nd Day of May, 2005.